

## News from the EU Institutions

by John Quigley

***Financing for Development:*** In the second report of its type, the European Commission has concluded that EU and its Member States are on track to meet the interim target for increases in official development assistance (ODA) by 2006. The report “Translating the Monterrey Consensus into practice: the contribution by the European Union” was adopted on 5th March 2004. The first report was adopted in May 2003. Following the Monterrey Conference of March 2002, EU Member States committed themselves to reaching an interim target of ODA of 0.33% of Gross National Income (GNI) and the EU of 0.39% of GNI by 2006. This nevertheless is substantially short of the Millennium Development Goal of 0.7% of GNI. The upbeat message of the report is in contrast to what Commissioner for Development and Humanitarian Aid, Poul Nielson told the Development Committee of the IMF and World Bank in September 2003, when he outlined that the outcome of Monterrey was a good start but that aid volumes must increase sharply.

Figures for several years demonstrate that the EU is making steady but slow progress in reaching the 2006 interim deadline. The ODA of the EU 15 in 2001 reached 0.33% of EU GNI, 0.35% in 2002 and an estimated 0.42% in 2003. The enlargement of the EU to 25 Members on 1st May 2004 affects the total development commitment in millions of euros significantly. In 2003, countries including Cyprus, Estonia, Hungary, Latvia and Poland did not allocate any ODA contributions from their national budgets. Across the 10 new Member States, the ODA in 2003 was an estimated 0.0377% of collective GNI. By 2006, the 10 States are expected to contribute only 0.11% by 2006. The low but rising expenditure by the new States means that by 2006 the EU 25 will reach an ODA level of collective GNI of 0.42%, or some EUR38.5bn.

Apart from calling for increased commitments from the EU 25, the Commission report also considers the extent of the co-ordination of development aid policies at EU level. The Commission has long proposed EU-level co-ordination as a measure to improve the effectiveness of aid spending. The report concludes that the EU is failing to meet the objectives set at the Barcelona European Council of March 2002, which preceded the Monterrey Conference, on closer co-ordination and complementarity between individual Member State and European Union aid before 2004. A survey organised by the Commission indicated that co-ordination “is not structured, not systematic or generalised”. The Commission fears many Member States are “reluctant to move from words to action” and some governments “call into question the added value and role of EU co-ordination”.

To address some of these concerns, the Commission proposes submitting a proposal for a Directive to establish a “common framework for aid implementation procedures” to the Council of Ministers. It is suggested that the Directive would examine the procedural requirements the EU places upon beneficiary countries as minimum standards for the implementation of aid. In addition, the Commission proposes undertaking a study, to be completed by December 2004, on a strategy for complementarity in the EU. The strategy should come into effect sometime in 2006. Where a minimum of two EU Member States are present in a donor country then, the

Commission, on behalf of the EU, is proposing it should draw up an EU Action Plan “to identify the added value the EU could bring to the co-ordination process”. By the end of 2005, the first Action Plans should be ready for all beneficiary countries where the EU contributes 50% of total ODA. In late April, the Council welcomed this idea and proposed establishing an ad hoc Working Group made up of experts on harmonisation with a deadline of November 2004 to suggest an “EU Action Plan for Co-ordination and Harmonisation”.

***Untying Development Aid:*** In late April, the European Commission adopted a proposal for a European Parliament and Council Regulation on “Access to Community external assistance”. This proposal is the latest in a series of EU initiatives with the objective of ending the practice of requiring aid beneficiary countries to purchase goods and services in donor countries. It follows upon a Commission Communication, adopted in November 2002 on “Untying: enhancing the effectiveness of aid”. The issue of untying EU and Member State bilateral aid has been pushed particularly by Commissioner Poul Nielson and is tied to the report described above on meeting EU, UN and the Millennium Development Goals on increasing the volume of development aid.

The draft Regulation proposes untying aid as part of a larger aim of improving the ownership of aid strategies by beneficiary countries, promoting regional integration and developing capacity in recipient governments. As part of this reform, the Commission is proposing integrating a provision on untying aid into all development co-operation instruments such as the Asia-Latin America Regulation, aid to uprooted people in Asia and Latin America, food aid and food security, rehabilitation and reconstruction operations in developing countries and actions on reproductive and sexual health in developing countries.

According to the Organisation for Economic Co-operation and Development (OECD) and, in particular, its Development Assistance Committee (DAC), substantial gains can accrue in development aid by ending the practice of tying the purchase of goods and services by developing countries from the aid they receive. By increasing the level of access to development assistance procurement, in this instance to beneficiary countries and other OECD countries, the potential added value of completely untied aid is estimated by the World Bank at 25% of official development assistance spending.

Of the EU 15 by 2003, Belgium, France, Ireland, Luxembourg, the Netherlands, Sweden and the UK have completely untied their bilateral aid. This is a substantial increase from three Member States in 2002. Others, such as Austria and Germany, have untied substantial amounts of their aid. Countries including Greece, Italy, Portugal and Spain report much less progress. Despite this improvement at Member State level, only an estimated 32% of EU-level aid is untied. In September 2003, the European Parliament called for the complete untying of all EU and Member State bilateral aid within five years.

The draft Regulation will be followed in Summer 2004 by the publication of a study prepared by the Commission on the benefits of untied aid. The draft Regulation is adopted under the co-decision legislative procedure and will not enter into law before 2005. What may prove controversial is the Council of Ministers’ attitude that, under

the guise of coherence, “development co-operation must form part of a mutually reinforcing mix of policies”. The European Parliament and development non-governmental organisation (NGOs) are concerned that development policy may become subservient to the EU’s wider external relations interests and end up solely as a partisan tool in Europe’s relations with developing countries.

**Burma:** The EU’s relations with Burma remain complex and are tied mainly to a regime of sanctions and the suspension of development co-operation aid. Apart from damaging Europe’s relations with the Association of South-East Asian Nations (ASEAN), the continuation of military rule threatens to block an Asia-Europe Meeting (ASEM) at Summit level to be held in early October in Hanoi, Vietnam.

In March, dismayed at the obvious lack of progress towards democratic reform in Burma, the European Parliament adopted a Resolution on Burma calling in strong terms for better EU sanctions, more enforcement, a greater commitment from ASEAN towards resolving the crisis and insisting that Burma should not join ASEM. Glenys Kinnock (UK-PSE) suggests that the Roadmap for a return to democracy, announced by the junta in August 2003, to date has demonstrated “no evidence of substantial progress”. Parliament’s final text did not include this condemnation but instead suggested that the process should be brought under international supervision.

The issue of Burma’s participation in the 9th Summit of the Asia-Europe Meeting, along with fellow ASEAN members Cambodia and Laos, was raised at the sixth ASEM Foreign Ministers Meeting, which was held in mid April in Ireland. Referring to the enlargement of ASEM, which includes the three ASEAN countries and the ten new EU Member States, the foreign ministers reported “that progress was achieved”. In reality, the EU side firmly reiterated two principles. Firstly, the ten new EU States, sine qua non, must participate in the Hanoi Summit and, secondly, that without progress towards reform, Burma could not attend (at government level) the Summit. Burma did not attend the Foreign Ministers Meeting, even though Ireland, during its term as President of the EU Council between January and June 2004, opened diplomatic relations with the military junta. Ireland was one of only two remaining EU-15 Member States that refused to establish ties.

Parliament’s Resolution included demands that the EU’s sanctions regime against the junta should be strengthened to extend towards a ban on any investment by an EU company and a ban on the import of certain goods, such as gems or timber. Following the ASEM Foreign Ministers Meeting, the EU Council of Ministers renewed its Common Position and separate Regulation on Burma but did not extend the sanctions to meet the Parliament’s request. In general the sanctions impose a ban on technical assistance, military aid, freeze the funds of military officials held in the EU, suspend EU development co-operation and prohibit the travel of junta officials in the EU. The EU continues to provide humanitarian aid to Burma but operates in alliance with the National League for Democracy or international NGOs only. In a sign that little progress is expected in the coming months, the Council has extended the sanctions period from 6 months to 12 months.

The work programme of the Dutch government, which takes over the rotating Presidency of the EU Council on 1st June, calls for the appointment of a Special Representative to travel to Asia to hold exploratory talks on the issue of the junta’s

role, with Asian governments. The talks are now due to take place in July and September following the suspension in June of an ASEM Finance Ministerial Meeting that was due to take place in July and an Economic Ministerial Meeting that was due to take place in September. The talks will represent the last chance to reach a compromise ahead of an ASEM Senior Officials Meeting (SOM) in Hanoi in September that will precede the Summit. If the SOM fails to settle the thorny question over Burma's participation, then the Summit may well be cancelled. ■

See also:

*EurAsia Bulletin*

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